

Hello my name is Carolyn Sawyer and I'm here with the Department of Commerce. You are now viewing the Department's briefing on its new Performance Management System for General Schedule, wage marine and federal wage system employees.

I will be your guide as we explore this new system and many of its features.

Our agenda for today is to talk about the new system, what's in it for you and your organization. I'm also going to share some of the rationale for this system, some of the major changes, and the schedule for implementation.

Why should this new system be important to you?

The new system will benefit both managers and employees in a number of concrete ways. It encourages continuous feedback between managers and employees throughout the performance cycle. Because it is a multi-level system, it offers a range of performance ratings which allow supervisors to make meaningful distinctions in performance. Finally, since it establishes end-of-cycle performance awards but still allows incentive awards to be granted throughout the year, the new system provides methods for rewarding and encouraging high levels of performance.

So what is performance management? Simply put, performance management is an ongoing communication process that involves the management of employee performance and includes such factors as planning, developing, monitoring, rating, and rewarding employee contributions.

What's driving this change?

All government agencies are going to be asked to build what is called a high performing workforce.

OPM has laid out requirements for performance management systems. They require that agencies be able to demonstrate that whatever performance management system they have in place permits them to make meaningful distinctions in performance. Such distinctions are not

possible under a 2-level system because that type of system does not make clear and defensible decisions about the levels of performance within that organization.

Another OPM requirement is that all agencies must create a performance management system that aligns performance with organizational goals and objectives. With this new system, Commerce will better align critical elements in performance plans with the goals and objectives of the organization.

In addition, we need a system in place that allows us to recognize and reward employee accomplishments based on how well that employee contributes to the overall goals and objectives of the organization.

These external criteria constitute what OPM defines as the basis for a solid performance management system.

After careful review of OPM guidance, the Department embarked on a large-scale effort to review its current performance management programs and to carefully analyze alternative solutions with the goal of identifying and implementing a comprehensive, consistent, and results-driven model for promoting a high-performing culture.

The internal review concluded that having multiple performance management systems was not having the desired effect of driving organizational excellence and high performance. A key finding was that pass/fail systems were not making meaningful distinctions in performance. All indications pointed to the need for a new system to assist managers in defining, measuring, rewarding, and aligning individual and organizational performance.

Currently the Department holds each of its employees accountable for performance through one of four performance management systems:

A 5-level system, a 2-level system, a demonstration project, or the alternative personnel management system. The new 5-level system will cover employees under the current 5 level

and 2-level systems, which is about 87 percent of the employees in Commerce.

It was critical that the Department design and implement a single performance management system that will meet the needs of the Department and the bureaus to ensure consistency across the agency. When bureaus have different performance management systems, employees think differently about performance objectives and measurement, results-driven accomplishments, and strategic alliances. This can lead to inconsistencies in how employees interpret or manage information. Once employees speak the same language it becomes easier to discuss organizational issues or individual performance in a meaningful way. It was concluded that the time had come to leverage resources and think more strategically about performance management.

The new 5-level system incorporates the five basic concepts of performance management. Those include: performance planning, monitoring employee performance, employee development, evaluating employees, and rewarding employees.

Planning means setting performance expectations and goals for employees to channel their efforts in achieving organizational objectives. It also includes the measures that will be used to determine whether expectations and goals are being met. Involving employees in the planning process helps them understand the goals of the organization, what needs to be done, why it needs to be done, and how well it should be done.

Monitoring means consistently measuring performance and providing ongoing feedback to employees on their progress toward reaching their goals. Ongoing monitoring provides the opportunity to check how employees are doing and to identify and resolve any problems early.

Employee development is the third component of this system. It means increasing the capacity of employees to perform through training, giving assignments that introduce new skills or higher level of responsibility, or improving work processes. Development efforts can encourage and strengthen good performance and help employees keep up with changes in the workplace.

Evaluating employee performance involves an assessment of performance against the elements and standards in an employee's performance plan, summarizing that performance, and assigning a rating of record.

And rewarding is the last and one of the most critical aspects of the performance management system. It allows a supervisor to recognize an employee for contributions to the achievement of the organization's mission and goals.

Before I talk about what's new in this system, I would like to mention what has not changed.

First, there will still be one mandatory formal progress review conducted around the midpoint of the rating cycle. Other progress reviews may be conducted at either the manager's discretion or by the employee's request.

Second, special act awards are still available. Even though the performance award given at the end of the rating cycle is the primary method of recognizing performance under this system, the special act award is still available for those managers who believe that it is important to have that tool available to recognize specific accomplishments throughout the rating cycle.

Third, ratings are still subject to reconsideration, both informal and formal. An employee will still have the opportunity to request reconsideration of their ratings.

Lastly, there is no minimum time period that a supervisor must be in his or her position in order to rate an employee. If the supervisor is in the position on the last day of that rating cycle, he or she can legally rate that employee's performance for that rating cycle.

So what's new? What have we changed by creating this new five level system?

We have incorporated some of the best features of the current five and two level systems and rolled them into one. Those employees transitioning from a 2-level system will notice significant changes in the process while employees covered by the 5-level system will note only subtle

changes in the overall system.

We have standardized the rating cycle. All employees will be rated on an October 1 to September 30th rating cycle. There are two exceptions to this cycle which are based on workload considerations. Standardizing the rating cycle will enable managers to think about performance along the same time lines throughout Commerce.

Another change is the use of rating levels as opposed to adjectives to describe performance. Under this new system, employees will be rated at one of five levels - Level 5, the highest level of performance, Level 4, Level 3, Level 2, or Level 1, which is equivalent to an unacceptable rating.

Under the new system all performance elements are critical. Under the old five level system, non-critical elements were permitted, but rarely used. The continued use of non-critical elements adds little value to the performance management process because they included those aspects of work that are not typically under the employee's control.

A key change, culturally and philosophically, is the concept of linking performance elements to organizational goals and objectives. The Department recognizes that linking employees' performance plans with strategic goals is the key to making Commerce more results-oriented. A meaningful performance management program should highlight the association between each employee's daily activities and broader organizational goals.

We have standardized the minimum appraisal period at 120 days. The benefit of a 120 day period is that it would allow a supervisor sufficient time within which to monitor and assess an employee's performance.

It is now mandatory that critical elements in a performance plan must be weighted. Weighting allows a manager to assign a level of importance to a specific critical element, enabling the manager to make a distinction between those aspects of the employee's performance that are more critical to achieving the organization's goals and objectives.

There is also a requirement that every performance plan include a minimum of three but not more than five elements. Less than three is not indicative of the key aspects of that job. More than five indicates you are probably not identifying what is a critical aspect of the employee's performance.

In addition, this new system will introduce two required elements - a customer service element for all employees and a leadership/management element for supervisors and managers. These elements, aligned with similar elements for senior executives, will allow the Department to speak a common language, and be better positioned to communicate common values and shared goals.

We have also made it clear that no fractional scores or weights may be used. A fractional score is the assignment of a rating that is not a whole number, such as 4.5 or 3.5. Ratings may only be assigned as whole numbers.

We modified the method for computing a summary rating, commonly known as a summary derivation scheme. Under this method, each employee is assessed on each element and assigned a rating level. The rating level is then multiplied by the assigned weight to achieve an element score. All the element scores are added to achieve a summary rating of 5, 4, 3, 2, or 1. This method, common under the current 5-level system, is simple, understandable, and defensible.

The new system simplifies the interim rating process. The previous process was overly complex and mathematical.

For employee's moving from the two level system, there is a change in the reduction in force or RIF credit. Under the new system, a level five rating receives 20 years; a level 4 rating, 16 years; a level 3 will receive 12 years; and levels 2 and 1 receive 0 years.

Performance awards will be the primary form of recognition for performance, which is a change

for employees migrating from the 2-level system. For all employees covered under this new system, the concept that performance awards must be linked to the accomplishment of organizational goals and objectives, is new. The benefit is that employee's will receive recognition based on their success in accomplishing the organization's goals and objectives.

We have standardized the time frame to create a performance plan. All plans must be in place within 60 days of the beginning of the appraisal cycle or the date the employee enters on duty. Previous policy mandated a 30 day period. This extended time frame provides a better opportunity for managers to complete thorough and comprehensive performance plans.

The last change that we are introducing is a new form - the CD-430, Performance Management Record. This new form de-links the classification process from the performance management process. The previous form (CD-516, Performance Management Record), required those two functions to be carried out simultaneously. The new form also incorporates a linkage by element to the organization's goals and objectives.

Now let's talk about the time line for implementing this new system. This briefing is being shared with all employees beginning August 2005.

During the same timeframe, managers will receive more detailed hands on training. This will include how organizational goals are linked to the performance plans, guidance on creating critical elements, the summary derivation scheme, and the new form.

Following that training, we will launch the new system on October 1, 2005. By November 30, 2005, performance plans should be in place for all employees.

What I've shared with you today are some of the features of the Department's new 5-level performance management system.

Rather than simply choosing to measure performance, the Department has a unique opportunity to implement a system that recognizes, challenges, rewards and retains top talent and gives

employees a chance to develop their individual abilities. The Department must remain visionary and recognize the importance of aligning performance with strategic goals and objectives.

We welcome you to the new performance management system as we strive to create a system that will drive the Department to a higher level of performance and support the overall objectives of building a high performing, results-oriented workforce.

(VOICE OVER) Additional information on this new system may be found in the Performance Management Handbook or DAO 202-430, Performance Management, on the Office of Human Resources Management's website:

<http://ohrm.os.doc.gov/> **DO NOT READ**